
FASB | IASB Education Meeting

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Project	Business Combinations—Disclosures, Goodwill and Impairment
Topic	Status update
Contacts	Dehao Fang (fdehao@ifrs.org) Vikash Kalidas (vkalidas@ifrs.org)

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Purpose

1. The purpose of this paper is to provide an update on the status of the IASB's Business Combinations-Disclosures, Goodwill and Impairment project.

Background

2. Business combinations are often significant transactions for the entities involved and play an important role in the global economy. IFRS 3 *Business Combinations* specifies how an entity accounts for a business combination.
3. Through its post-implementation review (PIR) of IFRS 3 and subsequently, the International Accounting Standards Board (IASB) was informed that:
 - (a) users of financial statements (users) need better information to help them assess the performance of a business combination. In the absence of other information about the performance of a business combination, some users use

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- information provided by the impairment test of cash-generating units (CGUs) containing goodwill in IAS 36 *Impairment of Assets* as a proxy for assessing the success of a business combination.
- (b) the impairment test of CGUs containing goodwill is complex, time-consuming and expensive and that impairment losses are sometimes recognised too late (that is, there appears to be a delay between an impairment occurring and an impairment loss being recognised in financial statements).
4. The project [Business Combinations—Disclosures, Goodwill and Impairment](#) aims to respond to these concerns. The project’s objective is to explore whether entities can, at a reasonable cost, provide users with more useful information about business combinations. Providing users with such information would help them make better decisions by allowing them to better assess:
- (a) the performance of an entity’s business combinations; and
- (b) how efficiently and effectively management has used the entity’s economic resources to acquire these businesses.
5. The Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment* (Exposure Draft) proposed a package of amendments designed to meet the project’s objective. These proposed amendments built on the preliminary views in the Discussion Paper [Business Combinations—Disclosures, Goodwill and Impairment](#) and reflected the IASB’s considerations of feedback on those preliminary views. The proposed amendments in the Exposure Draft mainly related to:
- (a) the disclosure requirements in IFRS 3 (see paragraph 6); and
- (b) the impairment test in IAS 36 (see paragraph 7).
6. The Exposure Draft proposed to amend IFRS 3 by:
- (a) adding disclosure objectives;
- (b) adding disclosure requirements, including:

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- (i) requiring an entity to disclose information about the entity's acquisition-date key objectives and the related targets for a subset of business combinations (strategic business combinations) and the extent to which those key objectives and targets are met in subsequent periods (information about the performance of a business combination);
 - (ii) requiring an entity to disclose quantitative information about synergies expected to arise from a business combination (expected synergies); and
 - (iii) exempting, in specific circumstances, an entity from disclosing some of the information in paragraphs (i) and (ii) (proposed exemption); and
- (c) amending some disclosure requirements in IFRS 3.

7. The Exposure Draft proposed to amend IAS 36 by:

- (a) clarifying how an entity allocates goodwill to CGUs. Among other things, the IASB proposed to:
 - (i) replace the phrase 'goodwill is monitored' in paragraph 80(a) of IAS 36 with 'business associated with goodwill is monitored'; and
 - (ii) to clarify that paragraph 80(b) of IAS 36 is a ceiling—and not a default—for the level at which to allocate goodwill.
- (b) requiring an entity to disclose in which reportable segment a CGU or group of CGUs containing goodwill is included; and
- (c) changing how an entity calculates value in use (VIU) by removing the requirements:
 - (i) to exclude future restructurings and asset enhancement cash flows; and
 - (ii) to use pre-tax cash flows and pre-tax discount rates.

Project status

8. The comment period for the Exposure Draft ended on 15 July 2024. We received feedback on the proposals from (a) comment letters and (b) outreach meetings. Appendix A to this paper provides further information about the sources of feedback.
9. We are analysing feedback on the Exposure Draft. We expect the IASB to start discussing feedback at its October 2024 meeting and to start redeliberating the proposals in early 2025.

Appendix—Sources of feedback

A1. As paragraph 8 notes, we received feedback on the Exposure Draft from:

- (a) comment letters; and
- (b) outreach meetings.

Comment letters

A2. We received 137 comment letters on the Exposure Draft by the comment letter deadline and 6 comment letters after the comment letter deadline. All comment letters are available on our [website](#).

Outreach meetings

A3. During the comment period, IASB members and staff attended 110 meetings with respondents across different regions and stakeholder groups. These meetings included meetings with the IFRS Interpretations Committee and the IASB's consultative bodies.

Total number of respondents

A4. Considering both the above sources of feedback (that is, comment letters and outreach meetings), in total we received feedback from 199 different stakeholders¹. The tables that follow depict the 199 respondents by:

- (a) geographical region; and
- (b) stakeholder type.

¹ We had outreach meetings with some stakeholders who also provided feedback in a comment letter. These stakeholders have been counted only once when counting the number of different stakeholders who provided feedback on the Exposure Draft. This is why the number of different stakeholders who provided feedback (ie 199) does not equal to the sum of number of comment letters (ie 137) and the number of outreach meetings (ie 110). We also met with few stakeholders more than once during the outreach period.

Table: Grouping by geographical region

Geographical region	Numbers by region	Percentage
Europe	77	38.7%
Asia-Oceania	53	26.6%
Americas	35	17.6%
Global	25	12.6%
Africa	9	4.5%
Total	199	

Table: Grouping by stakeholder type

Stakeholder type	Numbers by stakeholder type	Percentage
Preparer/ preparer groups	86	43.2%
National standard-setters/ national standard-setter groups	32	16.1%
Users/ user groups	25	12.6%
Accounting bodies	17	8.5%
Accounting firms	12	6.0%
Regulators/ groups of regulators	11	5.5%
Mixed	7	3.5%
Academics	4	2.0%
Individuals	3	1.5%
Valuation specialists	2	1.0%
Total	199	